

Jo.Wheat

245242

**From:** Jo.Wheat  
**Sent:** Monday, July 15, 2013 3:10 PM  
**To:** 'ghoward@aaahawk.com'  
**Subject:** RE: Docket: 2013-59-E

Dear Mr. Howard,

This is to acknowledge receipt of your emails and attached comments to the Public Service Commission of South Carolina. I am forwarding your emails to our Clerk's Office for processing, at which time they will become a part of Docket No. 2013-59-E and will be posted on our website under this docket.

Please let me know if you should require any additional information.

Sincerely,

Deborah Easterling  
Administrative Assistant

DE/jw

**From:** ghoward@aaahawk.com [mailto:ghoward@aaahawk.com]  
**Sent:** Sunday, July 14, 2013 11:35 AM  
**To:** PSC\_Commissioner.Howard  
**Subject:** Docket: 2013-59-E

Good Day Commissioner Howard,  
Attached are my comments concerning Wal-Mart's testimony on Docket 2013-59-E.

Thank you for your consideration.

Gordon E. Howard  
Seneca, SC

**From:** ghoward@aaahawk.com [mailto:ghoward@aaahawk.com]  
**Sent:** Sunday, July 14, 2013 11:28 AM  
**To:** PSC\_Commissioner.Randall  
**Subject:** Docket: 2013-59-E

Good Day Commission Randall,

Attached are my comments concerning Wal-Mart's testimony on Docket 2013-59-E.

Thank you for your consideration.

RECEIVED  
JUL 15 2013  
PSC SC  
MAIL/DMS

## Daphne.Duke

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**From:** Melissa.Purvis  
**Sent:** Monday, July 15, 2013 9:26 AM  
**To:** Daphne.Duke; Deborah.Easterling  
**Subject:** FW: Docket: 2013-59-E  
**Attachments:** Duke Rate Inc - Stock or ratepayers plan2.pdf

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**From:** [ghoward@aaahawk.com](mailto:ghoward@aaahawk.com) [<mailto:ghoward@aaahawk.com>]  
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Seneca, SC

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**From:** Melissa.Purvis  
**Sent:** Monday, July 15, 2013 9:27 AM  
**To:** Daphne.Duke; Deborah.Easterling  
**Subject:** FW: Docket: 2013-59-E  
**Attachments:** Duke Rate Inc - Stock or ratepayers plan2.pdf

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Seneca, SC

**Daphne.Duke**

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**From:** ghoward@aaahawk.com [<mailto:ghoward@aaahawk.com>]  
**Sent:** Sunday, July 14, 2013 11:23 AM  
**To:** PSC\_Commissioner.Hall  
**Subject:** Docket: 2013-59-E

Good Day Commission Hall,

Attached are my comments concerning Wal-Mart's testimony on Docket 2013-59-E.

Thank you for your consideration.

Gordon E. Howard  
Seneca, SC

**Application of Duke Energy Carolinas, LLC For  
Authority to Adjust and Increase Its Electric Rates  
and Charges**

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

**DOCKET: 2013-59-E**

July 11, 2013

Comments prepared by:

Gordon E. Howard  
P.O. Box 8097  
Seneca, SC 20678-0002      ghoward@aaaahawk.com

My Standing:      Duke Energy Carolinas, LLC (DEC) customer in a DEC certified  
all electric residence since 2009.

Beneficial share holder of DEC common stock since 2005.

REGARDING:      Testimony Presented by Steve W. Chriss on behalf of Wal-Mart  
(East) and Sam's Club (East) a.k.a. "Walmart".

Specifically his testimony on CWIP (Construction Work In  
Progress): page 8 et seq.

Hereby, I request that this document be made part of all records and  
proceedings for the matter of Docket 2013-59-E at present and going forward.

Chriss makes several points about the application in which DEC wishes to shift  
the risk of construction from DEC investors to the ratepayers. Chief among  
those points are:

- A.      The ratepayers are paying for nothing but the hope for the future  
(my terminology).

NOTE: DEC has failed to bring on-line at least one nuclear plant,  
the Cherokee Nuclear Station near Gaffney, SC , after spending  
more than \$600 million at concurrent valuation.

- B.      If and when the new construction comes on-line, many of the  
ratepayers who supported (*i.e.* paid for) it will have left the DEC  
system, thereby never receiving a return on their investment nor  
any other benefit.

- C.      Tracking "ratepayer / investors" over the extended period from  
construction to on-line function is nearly impossible as it would  
require tracking estates, moves to foreign countries, name changes  
do to marriage or otherwise, and so on.

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Gordon E. Howard  
P.O. Box 8097  
Seneca, SC 20678-0002      ghoward@aaaahawk.com

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Chriss recommends against granting DEC's application to include \$300 Million CWIP costs in the rate base. **I concur.** However, Chriss presents a fall-back position where in DEC's Return On Equity (ROE) would be reduced as CWIP is increased, should the Commission approve the inclusion of CWIP in the rate base. **I strongly disagree with any effort to include the CWIP in the rate base.** Reducing ROE is not an adequate nor a firm solution.

**Should the Commission decide to allow the CWIP to be included in the rate base, then I believe the Commission must require that Duke Energy Carolinas to create a facility through which the ratepayers can receive a ROE in proportion to each's contribution just as any stock holder receives a ROE for assuming the risks associate with a publicly traded company.**

Here is my recommendation for that investiture. Note: This is the concept. Details need to be dealt with but should be as simple as possible.

**Q. How will ratepayers be invested in Duke Energy Carolinas?**

A. 1. Duke Energy Carolinas, LLC will establish a Private Mutual Fund (hereafter **PMF**).

**Q. Which DEC ratepayers (customers) will be in the PMF?**

A. 2. Only ratepayers covered by this DEC Application may be members of the PMF.

**Q. How will ratepayers join the PMF?**

A. 3. All ratepayers covered by this DEC Application (Docket 2013-59-E) will be placed in the PMF, automatically.

**Q. How will ratepayers in the PMF be tracked?**

A. 4. Ratepayer PMF accounts will be linked to their respective DEC electric service accounts.

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Gordon E. Howard  
P.O. Box 8097  
Seneca, SC 20678-0002      ghoward@aaaahawk.com

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**Q. How does the PMF receive shares of DEC stock?**

- A. 5. For each ratepayer, the percentage of that ratepayer's monthly (or otherwise issued by DEC) bill attributed to WCIP, in dollars and cents, shall be attributed (credited) to that ratepayer's balance in the PMF.
6. DEC will transfer shares of common stock\* to the PMF sufficient to cover the attributed investments by ratepayers, as needed.  
(\*Symbol: DUK CUSIP#: 264399106000).

**Q. Will DEC pay dividends to the PMF?**

- A. 7. Yes. DEC will pay dividends to the PMF at the same rate and on the same schedule as the dividends paid to any beneficial owner of DUK and its successors stocks. Dividends will be calculated on the **total shares** in the PMF and paid to the PMF in like shares (as in reinvestment practices) transferred into the PMF.

**Q. How are the shares in the PMF valued?**

- A. 8. Shares in the Private Mutual Fund shall will have the same value as other common shares of the same kind (class), fluctuating with the open market, and be treated as if the PMF was a private investor.

**Q. What fees may DEC charge to manage the PMF?**

- A. 9. Duke Energy Carolinas, LLC, or its assigns, will **not** be permitted to charge the PMF as a whole, nor its individual members, any fees whatsoever, including but not limited to management fees, fees for sale or purchase of shares, and so on.

**Q. How will the ratepayer / investor track his PMF account?**

- A. 10. DEC will integrate each PMF member's PMF account information into the monthly bill (statement) showing the total number of shares of PMF held by the ratepayer, shares purchased with the payment of the previous bill, and dividend shares added, when appropriate.

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Gordon E. Howard  
P.O. Box 8097  
Seneca, SC 20678-0002      ghoward@aaaahawk.com

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**Q. How are PMF shares redeemed?**

11. The DEC buys shares back from PMF (repurchases) at the publically traded value on dates established when the PMF is created.  
Example: The closing value on the last trading day of the month prior to the date of redemption.

**Q. How may a ratepayer redeem his shares if he terminates his DEC electric account?**

- A. 12. A ratepayers will be able to redeem his shares upon permanent termination of service with DEC within the service area covered by this Application. However, so-called "wash" transactions should be prevented. I recommend a 60 day or a two billing cycles latent period during which there is no applicable DEC electric service provided to the ratepayer / investor for that account.

**Q. May a ratepayer transfer PMF shares to another account when electric service is moved to a new location?**

- A. 13. Yes. A ratepayer who moves from one location to another, but who remains within the DEC Application service area, will have his shares credited to his new account using the original account opening date for redemption of shares cycle. See #14.

**Q. How often may ratepayers redeem shares?**

14. Each ratepayer may redeem 5 years' of share purchases after 6 years in the PMF: the most recent year's purchases may not be redeemed unless electric service is terminated (See #12). The 6 year cycle will be based on the year that the account was opened for accounts opened after the PMF is established. Otherwise the cycle begins the year the PMF is established. **NOTE: This is the longest acceptable cycle.** Ratepayers would not be required to redeem shares at the end of a cycle. Ratepayers should be able to redeem shares from a completed cycle at anytime during subsequent cycles.



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Gordon E. Howard  
P.O. Box 8097  
Seneca, SC 20678-0002      ghoward@aaaahawk.com

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**Q.     If DEC, its successors, assigns, etc,     terminates the PMF, what should happened to the CWIP costs.**

A.     15.     The purpose of the DEC Private Mutual Fund is to create a facility to accommodate DEC Application's request for the inclusion of Construction Work In Progress costs in ratepayers' bills, something that was not permitted, heretofore, as it requires the ratepayer to pay for nothing (no product or service) but hope for the future.

If the PMF is established, it must be understood and agreed to that the PMF will continue to function as designed notwithstanding DEC restructuring, acquisitions, divestitures, bankruptcies, and so on. Further, it should be understood and agreed to that once the PMF is liquidated and / or the PMF otherwise ceases to exist, DEC, its successor, assigns, etc., will no longer be permitted to charge ratepayers for CWIP costs.

**Q.     What happens to the PMF investors' funds should DEC become bankrupt.**

A.     16.     While common stock is not protected in bankruptcies, the PMF should be established as a top level creditor with the ability to receive a distribution of DEC assets in the same pool as jobbers and lenders. This is a special case.

**Q.     Are there concerns not addressed above?**

A.     17.     Yes. In particular, large consumers of electricity may wish to have a different redemption schedule or some other option. One such option would be to have the dividends paid directly to the company, if so requested, rather than reinvested.

**Q.     Why should ratepayer investors be treated differently than any other beneficial owner of DEC's common stock?**

A.     18.     The ratepayers are not willing buyers / investors.

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P.O. Box 8097  
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**Q. Is there another plan to accomplish the same goals of providing ratepayers with an Return on Equity for the CWIP costs?**

A. 19. Yes. An alternative plan would be to establish a loan facility that would make interest payments to the ratepayer.

**Q. How would a loan facility operate?**

A. 20. It would operate using much the same procedures as the PMF. The ratepayer CWIP contributions would act as the loan principal. The interest rate would be tied to that of comparable commercial loans. How this would work in real life, as there are funds added to accounts regularly, is a matter for people with more banking / finance experience than I possess. Perhaps the personal savings account banking model would serve the purpose.

**Q. Would the interest be reinvested?**

A. 21. It should not. The interest payments should be made to the ratepayer. I would recommend that it appear as a deduction from the ratepayer's monthly bill.

**Q. Would the ratepayer be able to redeem the "loan principal" of the CWIP payments?**

A. 22. Maybe. It would depend on how the CWIP payments were defined.

**Q. There seems to be a lot of record keeping involved with either of these plans. Will this be costly?**

A. 23. The ratepayer accounts / bills are already computerized. Under either plan (PMF or loan facility) a few well designed algorithms should be sufficient to create the tracking of contributions and the distribution of the assets.

Ratepayers change locations and change accounts today. Those costs are built into the system, now.

There would be some extra cost for the redemption of stock. However, that should be automated, easily.

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P.O. Box 8097  
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Copies sent to the following:

By Email to: The Commissioners

G. O'Neal Hamilton, Chairman	7 <sup>th</sup> District
Nikiya Hall, Vice Chairman	6 <sup>th</sup> District
Swain E. Whitfield, Member	5 <sup>th</sup> District
Elizabeth B. Fleming, Member	4 <sup>th</sup> District
Comer H. Randall, Member	3 <sup>rd</sup> District
John E. Howard, Member	1 <sup>st</sup> District

NOTE: The Second District seat is vacant at this time.

By U.S. Postal Service to:

Steve W. Chriss (For Wal-Mart)  
2001 SE 10<sup>th</sup> Street  
Bentonville, AR 72716-0550

Respectfully Submitted by Email.

